

ICC Docket No. 07-0566

**Commonwealth Edison Company's Response to
IIEC Data Requests 9.01 through 9.21
Dated: March 21, 2008**

REQUEST NO. IIEC 9.03:

Referring to page 4 of Ms. Abbott's rebuttal testimony, at lines 81-83, she states that "Since ComEd's credit metrics have actually *deteriorated* during this period of time, it is in a precarious position relative to the stresses it faces." Please provide copies of all resource material, and complete copies of all analyses and financial presentations underlying Ms. Abbott's understanding of ComEd's credit metrics over this time period.

RESPONSE:

My direct testimony cites metrics calculated by Standard & Poor's for the years 2004 through 2006, which I sourced from an S&P report dated September 25, 2007, IIEC 9.03_Attach 1. The 2007 projections were provided by ComEd, IIEC 9.03_Attach 2.

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RESEARCH

Commonwealth Edison Co.

Publication date: 25-Sep-2007
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Major Rating Factors

Strengths:

- Stable revenue stream under normal circumstances, and
- Ownership of lower-risk electric transmission and distribution system.

Corporate Credit Rating
 BB/Positive/B
 View Recovery Ratings >>

Weaknesses:

- Deteriorated regulatory and political environment in Illinois, and
- Connection to higher-risk operations of parent company's unregulated affiliates

Rationale

The ratings on electric utility Commonwealth Edison Co. (ComEd) reflect its stand-alone credit quality following the political events of 2006 and 2007 that threatened the utility's financial viability and parent Exelon Corp.'s (BBB+/Stable/A-2) determination to insulate itself from the utility as the Illinois political and regulatory environment deteriorated.

Ratings were affirmed following the legislative enactment of a multiparty agreement providing \$1 billion in rate relief over four years to the state's electric customers. In addition, the state will replace the reverse-auction process established under the 1997 deregulation legislation, which produced a dramatic increase in power prices in 2007, with a power-procurement process administered by a to-be-created Illinois Power Agency. While the financial impact on Exelon is manageable at current rating levels, the ratings are more a function of the apparent indifference to the financial health of the state's utilities by the state. This debate raises the prospects for future uncertainty if electric rates again climb to politically unacceptable levels. Although the rate relief will lead to modest deterioration in bondholder protection metrics, current ratings have already been lowered numerous notches and can withstand the financial erosion at those levels.

Liquidity

The unpredictable political environment in Illinois leads Standard & Poor's to assume that Exelon will not support ComEd if the company encounters financial difficulties stemming from its inability to adequately recover its costs of providing service. Although the situation has significantly abated, liquidity is still analyzed on a stand-alone basis. As of June 30, 2007, ComEd had \$45 million in available cash and \$525 million available under its \$1 billion secured revolving credit facility.

Outlook

The positive outlook on ComEd reflects a concession package that is clearly a more positive credit outcome than the alternative of an electric rate freeze and rollback of rates to 2006 levels. However, any rating upgrade will be constrained until Standard & Poor's is more assured that the new resource-procurement process will not be subject to further executive or legislative intervention, and that the normal regulatory compact has been restored in a sustainable manner.

Table 1

Commonwealth Edison Co. -- Peer Comparison*

Industry sector: Regulated transmission and distribution

Commonwealth PPL Electric Utilities Consolidated Edison CenterPoint Energy Houston

<http://mailhost.newharbor.com/cgi-bin/neomail.pl/%3B25-Sep-2007%5D%20Commonwealth%20Edi...> 10/9/2007

	Edison Co.	Corp.	Inc.	Electric LLC
Rating as of Sep. 20, 2007	BB/Positive/B	A-/Stable/A-2	A-/Negative/A-2	BBB/Positive/—
	—Average of past three fiscal years—			
(Mil. \$)				
Revenues	5,647.3	2,736.7	11,169.3	1,525.6
Net income from cont. oper.	(37.3)	138.6	673.0	258.7
Funds from operations (FFO)	692.8	379.5	1,481.7	604.9
Capital expenditures	820.9	221.2	1,706.5	289.5
Cash and investments	34.3	202.8	84.0	62.3
Debt	4,528.5	1,450.0	8,889.3	2,238.0
Preferred stock	0.0	134.2	213.0	0.0
Equity	6,259.0	1,395.8	6,643.7	1,842.8
Debt and equity	10,787.5	2,845.9	15,533.0	4,080.7
Adjusted ratios				
EBIT interest coverage (x)	5.0	3.1	2.6	2.6
FFO int. cov. (X)	3.4	4.9	3.6	3.3
FFO/debt (%)	15.3	26.2	16.7	27.0
Discretionary cash flow/debt (%)	(10.5)	14.2	(10.5)	(2.0)
Net cash flow/capex (%)	45.6	136.4	56.7	124.1
Debt/total capital (%)	42.0	51.0	57.2	54.8
Return on common equity (%)	(0.6)	10.5	9.0	12.7
Common dividend payout ratio (un-adj.) (%)	(852.7)	56.0	78.3	95.0
*Fully adjusted (including postretirement obligations).				

Table 2

Commonwealth Edison Co. — Financial Summary*

Org. type: Electric		—Fiscal year ended Dec. 31—				
		2006	2005	2004	2003	2002
Rating history	BBB-/Watch Neg/A-3	BBB+/Watch Neg/A-2	A-/Watch Neg/A-2	A-/Negative/A-2	A-/Stable/A-2	
(Mil. \$)						
Revenues	5,715.0	5,844.0	5,383.0	5,814.0	6,124.0	
Net income from continuing operations	(112.0)	(676.0)	676.0	702.0	790.0	
Funds from operations (FFO)	718.3	305.2	1,054.9	1,066.2	1,717.6	
Capital expenditures	914.7	784.2	763.9	706.0	772.0	
Cash and investments	35.0	38.0	30.0	34.0	16.0	
Debt	4,645.6	4,530.8	4,409.2	5,548.6	6,473.1	
Preferred	0.0	0.0	0.0	0.0	0.0	

stock					
Equity	6,298.0	6,012.0	6,466.9	6,066.7	5,758.0
Debt and equity	10,943.6	10,542.8	10,876.1	11,615.3	12,231.1
Adjusted ratios					
EBIT interest coverage (x)	5.0	4.6	5.4	3.7	3.6
FFO int. cov. (x)	3.3	2.1	4.5	3.2	4.3
FFO/debt (%)	15.5	6.7	23.9	19.2	26.5
Discretionary cash flow/debt (%)	(5.3)	(22.6)	(3.5)	(1.9)	6.7
Net cash flow/capex (%)	78.5	(24.6)	78.3	94.2	161.6
Debt/debt and equity (%)	42.5	43.0	40.5	47.8	52.9
Return on common equity (%)	(1.8)	(10.4)	10.3	11.4	14.2
Common dividend payout ratio (un-adj.) (%)	0.0	(73.7)	67.6	57.1	59.5

*Fully adjusted (including postretirement obligations).

Table 3 | View Expanded Table

Reconciliation Of Commonwealth Edison Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)*

—Fiscal year ended Dec. 31, 2006—

Commonwealth Edison Co. reported amounts							
	Debt	Revenues	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations
Reported	4,648.0	6,101.0	1,761.0	1,761.0	1,331.0	308.0	987.0
Standard & Poor's adjustments							
Operating leases	110.0	--	17.5	7.4	7.4	7.4	10.1
Postretirement benefit obligations	434.2	--	0.5	0.5	0.5	--	18.4
Capitalized interest	--	--	--	--	--	3.0	(3.0)
Share-based compensation expense	--	--	--	12.0	--	--	--
Securitized utility cost recovery	(648.0)	(386.0)	(386.0)	(386.0)	(47.0)	(47.0)	(339.0)
Asset retirement obligations	101.4	--	7.0	7.0	7.0	7.0	(3.3)
Reclassification of nonoperating income (expenses)	--	--	--	--	86.0	--	--
Reclassification of	--	--	--	--	--	--	--

working-capital cash flow
changes

Total adjustments	(2.4)	(385.0)	(361.0)	(359.1)	53.9	(29.6)	(316.7)
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Standard & Poor's adjusted amounts

	Debt	Revenues	Operating Income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations
Adjusted	4,645.6	5,715.0	1,400.0	1,401.9	1,384.9	278.4	670.3

*Commonwealth Edison Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first column in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 25-Sep-2007)*

Commonwealth Edison Co.

Corporate Credit Rating

BB/Positive/B

Commercial Paper

B

Local Currency

Preference Stock

B

Local Currency

Preferred Stock

B

Local Currency

Senior Secured

BBB-

Local Currency

Senior Unsecured

B+

Local Currency

Corporate Credit Ratings History

29-Aug-2007

BB/Positive/B

01-Jun-2007

BB/Watch Neg/B

05-Oct-2006

BBB-/Watch Neg/A-3

03-Oct-2005

BBB+/Watch Neg/A-2

20-Dec-2004

A-/Watch Neg/A-2

24-Nov-2003

A-/Negative/A-2

03-Nov-2003

A-/Watch Neg/A-2

06-Oct-2003

A-/Negative/A-2

Business Risk Profile

12345678910

Financial Risk Profile

Intermediate

Debt Maturities

2007: \$147 mil

2008: \$417 mil

2009: \$17 mil

2010: \$213 mil

2011: \$347 mil

Related Entities

Exelon Corp.

Issuer Credit Rating

BBB+/Stable/A-2

Commercial Paper

A-2

Local Currency

Senior Unsecured

BBB

Local Currency

Exelon Generation Co. LLC

Issuer Credit Rating

BBB+/Stable/A-2

Commercial Paper

A-2

Local Currency

Senior Unsecured

BBB+

Local Currency

PECO Energy Co.

Issuer Credit Rating

BBB+/Stable/A-2

Commercial Paper

A-2

Local Currency

Preferred Stock

Local Currency	BBB-
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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ComEd

\$ in Millions

	P = Projected
Credit Report	2007 (P)
Ratios	
FFO Interest Coverage Ratio	3.0 x
FFO / Total Debt	10%
Total Debt / Total Capitalization	48%
Total Debt	
Current Portion of Long-Term Debt	-
Total Notes Payable	347
Long Term Debt and Capital Leases	4,791
PPA Imputed Debt	-
Underfunded Pension (Debt)	196
Underfunded OPEB (Debt)	473
Capital Lease Obligations & Off-Balance Sheet Debt	-
Operating Leases	103
A/R Financing	-
Other Adjustments	-
ComEd Securitized Debt and TOPrS	-
PECO Securitized Debt and TOPrS	-
Other	-
Total Debt	5,910
Preferred Stock	-
Underfunded Pension (Equity)	-
Underfunded OPEB (Equity)	-
Common Equity	6,418
Goodwill, net	-
Total Capitalization	12,328
Funds from Operations	
Net Income	112
Deferred Taxes	(248)
Depreciation Expense	401
Depreciation Expense (Funds) : Fully-owned Nuclear Fuel	-
Amortization Expense	37
Accretion Expense	-
DTF Interest Income	-
DTF Interest Income Tax	(0)
DTF Contributions	-
ComEd Securitization Principal Payments	-
PECO Securitization Principal Payments	-
Operating Lease Interest Payments	1
Interest on TOPrS	-
AFUDC, Debt & Equity	(17)
Interest Capitalized	(0)
Interest on Tax Deficiencies	33
Other	294
Funds from Operations	612
Gross Interest Expense	
Total Interest Expense	319
AFUDC - Debt	15
Interest Capitalized	-
Interest on Tax Deficiencies	(33)
Total Interest Income	(0)
DTF Interest Income	(0)
Interest on PPA Imputed & Off-Balance Sheet Debt	-
Operating Lease Interest Expense	8
Interest on ComEd Securitized Debt and TOPrS	-
Interest on PECO Securitized Debt and TOPrS	-
Other	-
Gross Interest Expense	308